



Northern Pipeline Agency
Canada

Administration du pipe-line du Nord
Canada

Annual Report

**for Fiscal Year Ended
March 31, 2011**

Canada

Cat No. M175-2011
ISSN 0229-8473 (Print)
ISSN 1927-7261 (Online)

This report is published separately in both
official languages

Copies are available on request from:

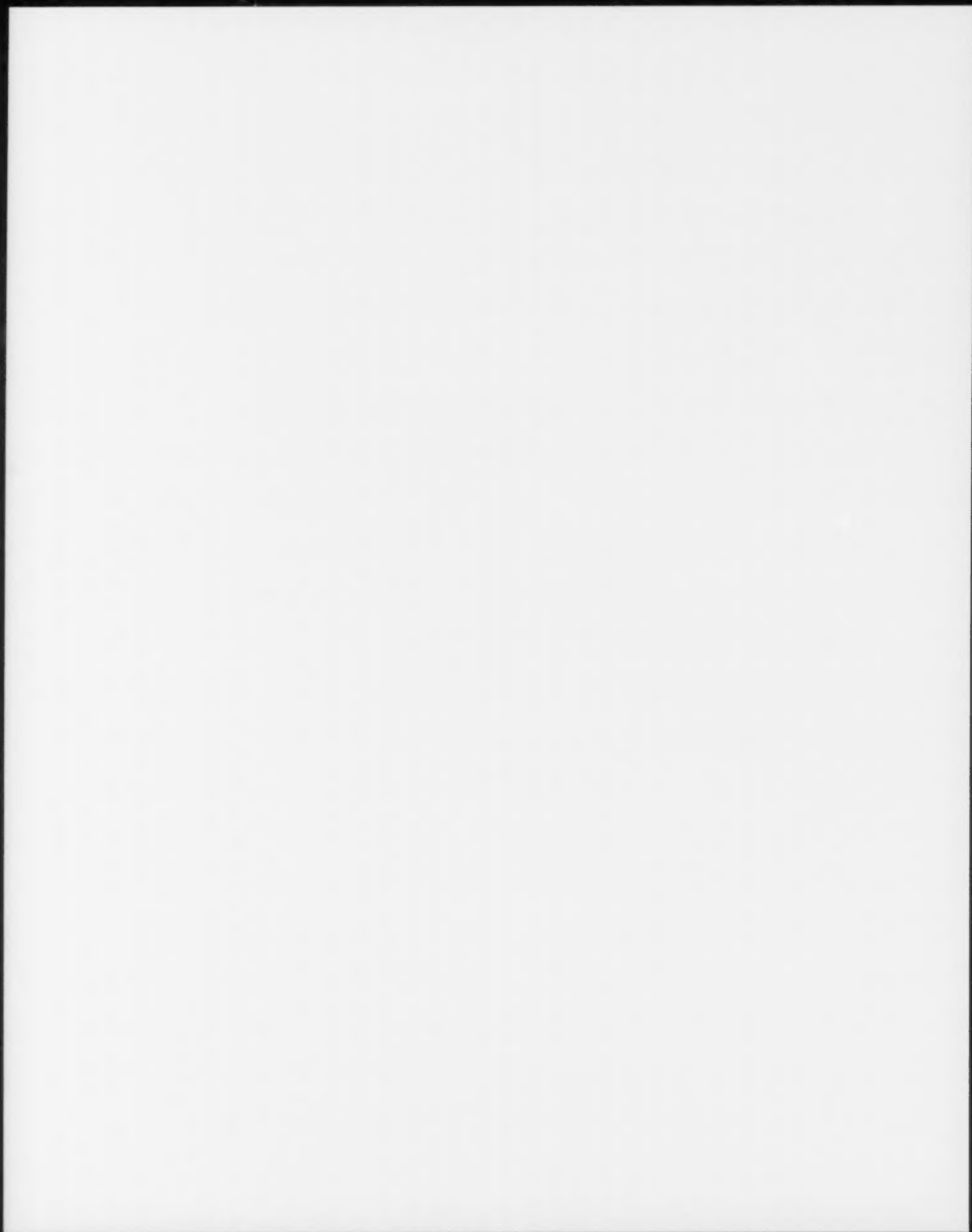
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Printed in Canada

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Overview

The Northern Pipeline Agency (NPA) was created by the *Northern Pipeline Act* (the *Act*) in 1978 to carry out federal responsibilities in respect of the planning and construction by Foothills Pipe Lines Ltd. (Foothills) of the Canadian portion of the Alaska Natural Gas Transportation System (ANGTS).

The project, also referred to as the Alaska Highway Gas Pipeline project (AHGP), is the subject of the 1977 *Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline*.

Phase I of the project (the Prebuild) was constructed in 1981-82 for the initial purpose of transporting gas sourced from Western Canada to the United States (U.S.). The current flow capacity of the Prebuild is approximately 3.3 billion cubic feet per day (Bcf/d).

Figures 1 and 2 show the proposed route of the ANGTS in Canada and the U.S., as well as details of the existing Prebuild in Canada.

The second stage of the project would link the Prebuild with U.S. reserves at Prudhoe Bay in Alaska. Unfavourable economic conditions from 1982 to the beginning of this decade led to indefinite delays in the completion of the ANGTS and a prolonged period of low activity for the Agency. In 2008, TransCanada Pipelines Ltd. (TransCanada), which now owns Foothills, was selected by the State of Alaska under the *Alaska Gasline Inducement Act* to receive up to \$500 million in State assistance to pursue an Alaska gas pipeline. The large-scale project would transport 4.5 to 5.9 Bcf/d of natural gas in a buried 48-inch, high-pressure pipeline from Prudhoe Bay, Alaska, to markets in Canada and the lower 48 states. Project costs have been estimated at \$32-41 billion (2009 USD) by TransCanada.

TransCanada PipeLines Ltd. is developing the technical and commercial aspects of the project and conducting field studies in Yukon and northern B.C. During 2010-11, the NPA continued to implement the provisions of the *Act* and the *Canada-United States Agreement on Principles Applicable to a Northern Natural Gas Pipeline* and worked with other federal departments and agencies, provincial and territorial governments, Aboriginal communities, the U.S. and TransCanada. The NPA saw an increase in its human resources and in its legal, policy and technical capacity as project activity progressed.

Figure 1:
The Alaska Natural Gas Transportation System

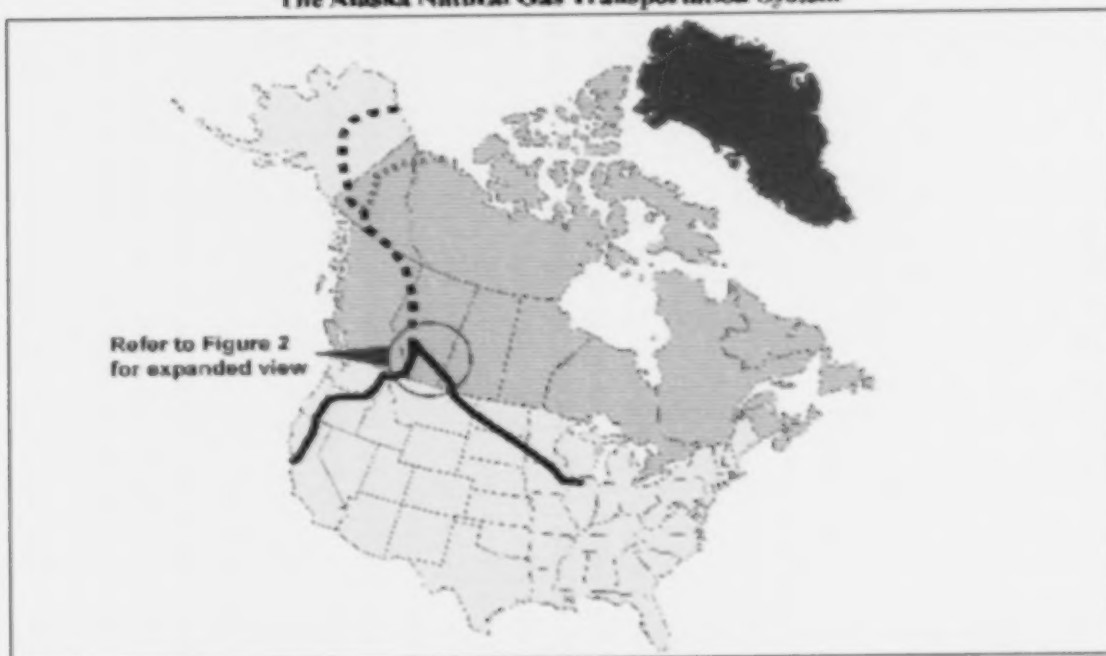


Figure 2:
The Foothills Prebuild

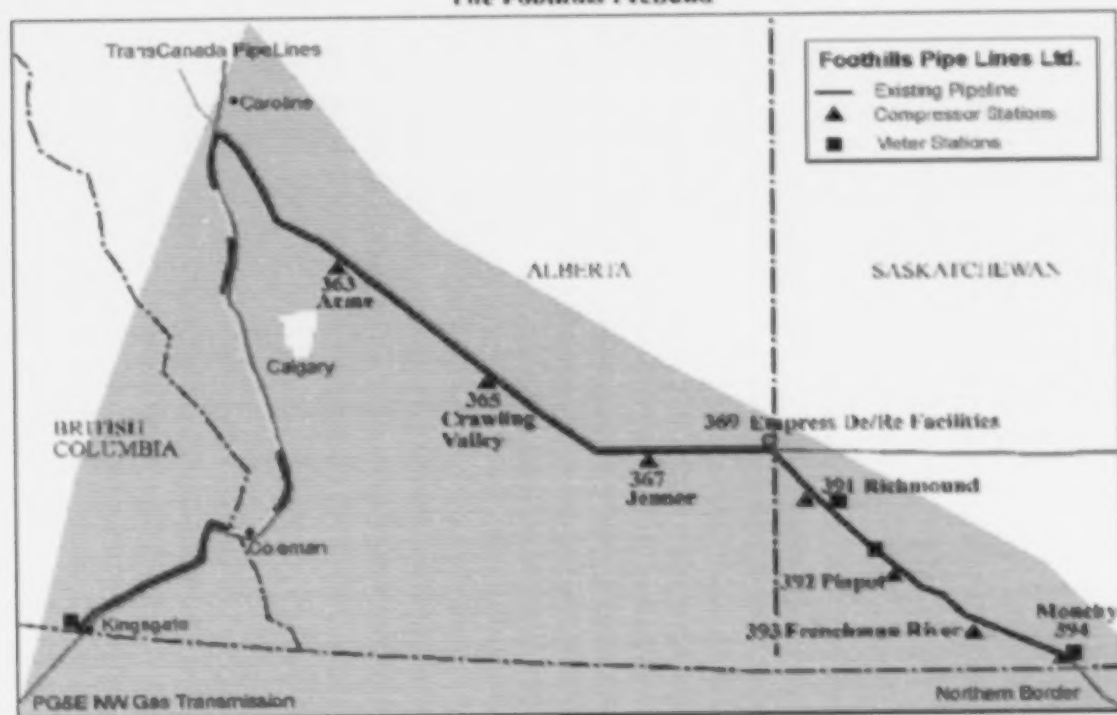
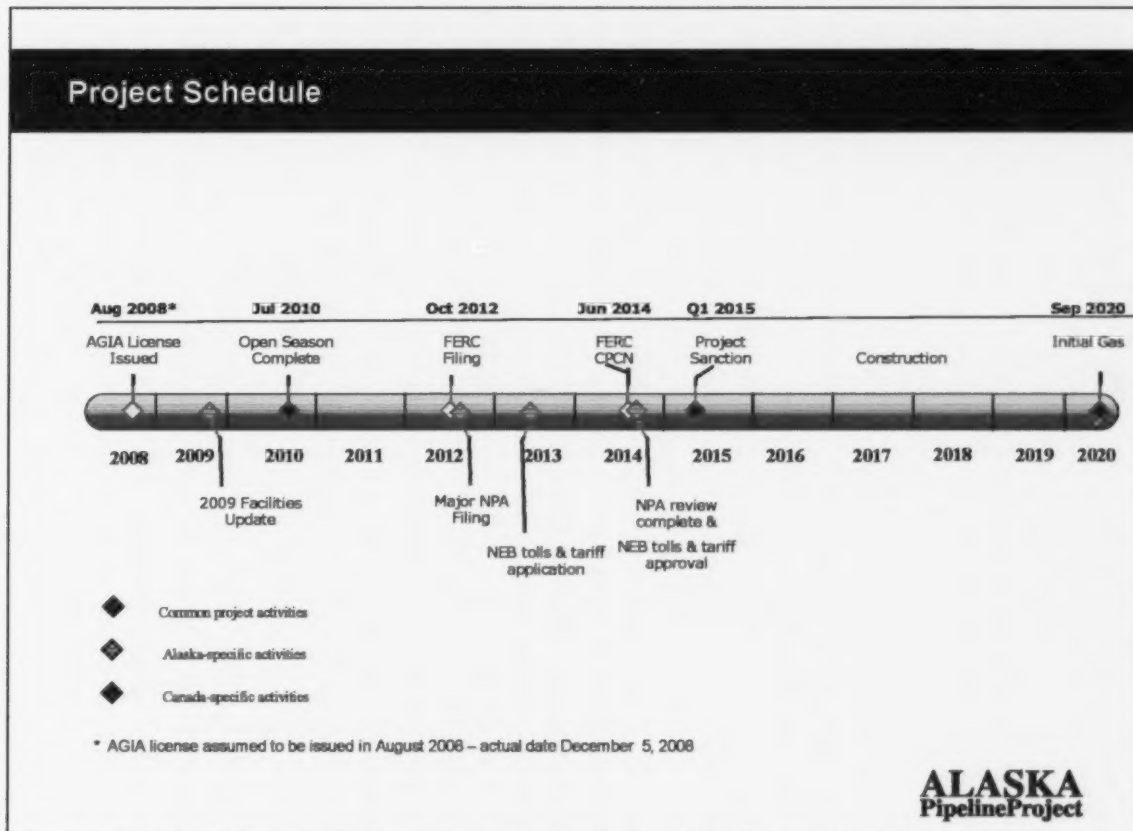


Figure 3: Project Schedule (Source: TransCanada)



Background Information

For further background information on the ANGTS and the NPA's roles and responsibilities, reference may be made to the NPA's Departmental Performance Report for the period ending March 31, 2011.

This report may be accessed through the Treasury Board Secretariat's Web site at www.tbs-sct.gc.ca/rma.

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Key 2010-2011 Activities

In 2010-2011, the NPA continued to deliver on the responsibilities of the Government of Canada that are embodied in the 1977 *Canada-U.S. Agreement* and the *Northern Pipeline Act* by working with federal departments, provincial and territorial governments, First Nations, the U.S. Federal Energy Regulatory Commission (FERC), the U.S. Office of the Federal Coordinator (OFC), and TransCanada. The Agency produced a series of fact sheets describing the project, its history and government oversight.

The NPA has worked to develop a potential approach for a comprehensive regulatory review of environmental and socio-economic information under the NP Act, in coordination with other federal departments and agencies. The NPA has also been corresponding with Aboriginal communities on a variety of matters related to the project and its benefits and regulation. This has involved preparations for workshops in fall 2011 in Yukon facilitated by the Alaska Highway Aboriginal Pipeline Coalition (AHAPC). Although not finalized within the 2010-11 fiscal year, the federal 2011 Budget included resources for NPA consultation on the AHGP.

The NPA has entered into inter-agency agreements with the Department of Justice, the National Energy Board, Natural Resources Canada, and the Department of Fisheries and Oceans to meet its resource requirements as appropriate and continues to conduct forward corporate planning to assess future resource requirements.

Under the *Northern Pipeline Act*, the NPA can be called upon to undertake a number of activities:

- Facilitate the efficient and expeditious planning and construction of the pipeline taking into account local and regional interests, the interests of the residents, particularly the native people, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate, to ensure that any native claim related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;
- Facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory and the Northwest Territories;
- Maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effects on the social and environmental conditions of the areas most directly affected by the pipeline; and
- Advance national economic and energy interests and maximize related industrial benefits.

Organization

The Minister for Natural Resources, the Honourable Joe Oliver, is responsible for the management and direction of the NPA.

The *Act* provides for the NPA Deputy Head, called the Commissioner, to be appointed by Governor in Council. The position is held by the Deputy Minister of Natural Resources Canada. Serge P. Dupont, the Deputy Minister of Natural Resources Canada, is the current Commissioner.

The day-to-day operation of the NPA is managed by an Assistant Commissioner, who is supported by six full time and several part time staff. The *Act* provides for independent regulatory decision-making by a Designated Officer who must be a member of the National Energy Board.

Natural Resources Canada provides administrative, financial, communications, IT and technical assistance to the NPA.

Expenditures

Sections 13 and 14 of the *Act* provide for an annual audit of the accounts and financial transactions of the NPA by the Auditor General of Canada, and for a report thereon to be made to the Minister and laid before Parliament. In compliance with these requirements, the report of the Auditor General of Canada for the year ended March 31, 2011, is reproduced as an appendix to this report.

The NPA had requested and received a reference level of \$1,296,722 for 2010-2011. Final expenditures for the year totalled \$1,109,299. All of the Agency's operating expenses are cost recovered from TransCanada.